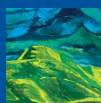




Great-West Report



OUR MISSION IS to achieve excellence in the development and distribution of health and financial products and services for people, and to do so in a thoroughly responsible manner.

Great-West Report 2003



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Great-West **President's Message**



Great-West Life & Annuity Insurance Company continued to build on its base in health care and retirement services while adding to our individual life business with the acquisition of Canada Life's United States operations. Once again our investment division demonstrated its disciplined approach to credit risk management as our company maintained a very strong balance sheet.

In a year that presented ongoing challenges for American business, Great-West made significant progress. As a struggling economy and unstable financial markets restrained growth and left corporations and individuals alike uncertain about their prospects, Great-West continued to post solid results while positioning itself for the future with forward-thinking initiatives and a steadfast commitment to fundamentals.

With health care expenses averaging more than \$6,000 per employee, it's clear our country has to take action. Rising costs made it difficult for American businesses to compete in the global economy and added to the ranks of the 43 million Americans without health coverage. As past co-chair and a current director of America's Health Insurance Plans, the national trade association representing the private sector in health care, I'm confident our industry will offer solutions to help meet the nation's needs. After all, every innovative health plan product offered today has come from the private sector.

At Great-West, we recognized the need to combat soaring health care expenses with new plan designs that engage consumers in decision making and integrate effective medical outreach programs. Our aggressive new product development efforts focused on a consumer choice plan designed to save employers up to 15 percent on medical premium over traditional coverage. This tiered plan promotes health and wellness by covering preventive care at 100 percent and protects against financial hardship by providing high-level coverage for medically complex or catastrophic services.

To assist members in their health care decision-making, we provide a 24-hour nurse hotline as well as an interactive wellness system, prescription drug comparison tool and database for researching hospital performance. We also strengthened our medical management programs with initiatives that brought industry recognition and a national disease management award applauding both our solid year-after-year results and the innovative programs we introduced during the year.

In our financial services business, we reinforced our premier position in the retirement services sector with the addition of a 14th state client, exceptionally high retention on public/nonprofit contracts and strategic acquisitions and partnerships. Gains in our administration and recordkeeping client base brought our pension plan participant account number to 2.3 million. Our life business enjoyed substantial growth as well with the acquisition of Canada Life's United States operations. Our government markets group bolstered its dominant

position as a provider of defined contribution services to state governments with the addition of the Commonwealth of Pennsylvania. The New York Metropolitan Transit Authority, the West Virginia Teachers' Defined Contribution Plan and Indiana Public Employees' Retirement fund for elected officials also chose Great-West as their retirement provider.

Valuing the importance of our customer base, we rolled out a highly successful retention strategy that helped secure extended partnerships with several clients, including the states of Minnesota and North Carolina. Our healthcare retirement markets also experienced outstanding retention success, as all of the 23 plans up for review renewed their contacts with us.

Capitalizing on the consolidating retirement services market, we acquired Federated Insurance Companies' group retirement business. This achievement was followed by a strategic relationship with Wells Fargo & Co. that included acquiring EMJAY Corporation, a subsidiary of Wells Fargo specializing in 401(k) administration and service, and the addition of Wells Fargo as a new institutional customer.

FASCorp solidified its reputation as a leading provider of recordkeeping and administrative services by winning a record number of new institutional clients. A steady increase in accounts among our existing partners also contributed to FASCorp's exceptional growth. As testament to the division's recordkeeping expertise, we achieved national recognition from *Defined Contribution News*, which named Great-West "2003 Recordkeeper of the Year."

Our life business achieved noteworthy milestones as well. We significantly increased sales of individual term life insurance policies through financial institutions, and the acquisition of Canada Life Financial Corporation by our parent company, Great-West Lifeco Inc., added a significant number of individual life and annuity customers to our business.

Looking ahead, I'm confident our steadfast focus on core proficiencies, and our strategic blend of products and distribution channels, will continue to distinguish Great-West – positioning us for ongoing profitable growth in the years to come.

Sincerely,



William T. McCallum
President & CEO
Great-West Life & Annuity Insurance Company

Balance Sheet
Dollars in Millions

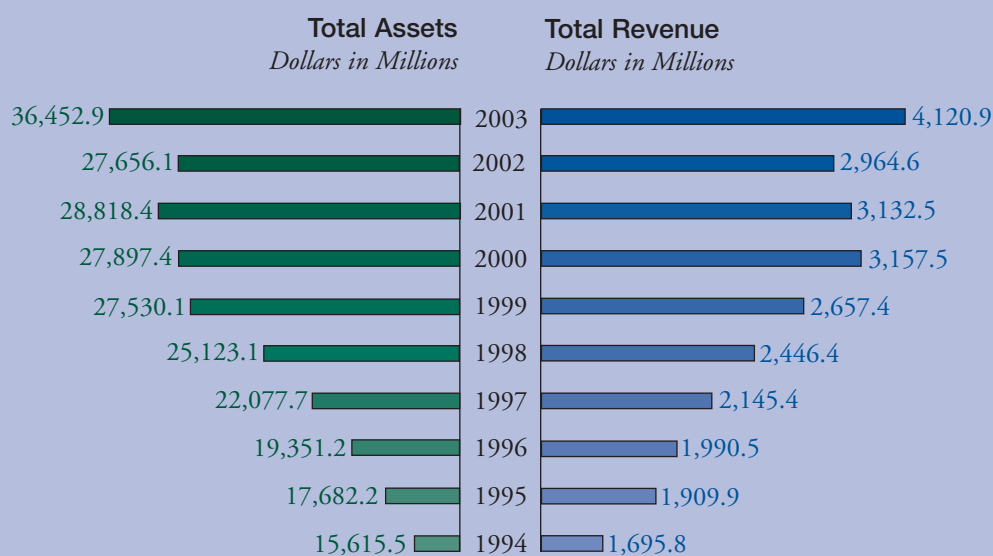
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Assets										
Bonds	13,136.6	10,371.2	10,116.2	9,419.9	8,988.5	9,136.5	8,781.4	8,199.1	8,317.5	7,118.7
Mortgages	1,885.8	417.4	613.5	843.4	974.6	1,133.5	1,235.6	1,487.6	1,713.2	2,011.1
Equities	435.7	93.9	85.2	201.7	173.0	121.7	132.8	87.7	69.9	48.9
Policy loans	3,389.5	2,964.0	3,000.4	2,810.0	2,681.1	2,858.7	2,657.1	2,523.5	2,237.7	1,905.0
Short-term investments	852.2	709.8	424.7	414.3	240.8	420.1	399.1	419.0	134.8	706.9
Total invested assets	19,699.8	14,556.3	14,240.0	13,689.3	13,058.0	13,670.5	13,206.0	12,716.9	12,473.1	11,790.6
Cash	188.3	154.6	213.7	154.0	267.5	176.1	126.3	125.2	90.9	131.6
Receivables	1,945.1	515.0	645.9	791.9	540.7	435.5	327.2	470.1	631.8	575.4
Other assets	1,444.2	1,091.8	1,134.1	881.1	844.0	741.5	570.8	554.4	487.5	563.1
Total General Account	23,277.4	16,317.7	16,223.7	15,516.3	14,710.2	15,023.6	14,230.3	13,866.6	13,683.3	13,060.7
Separate Account assets	13,175.5	11,338.4	12,584.7	12,381.1	12,819.9	10,099.5	7,847.4	5,484.6	3,998.9	2,554.8
Total assets	36,452.9	27,656.1	28,818.4	27,897.4	27,530.1	25,123.1	22,077.7	19,531.2	17,682.2	15,615.5
Liabilities										
Policyholder	19,526.2	13,006.9	12,930.5	12,825.3	12,340.9	12,583.0	11,706.3	11,687.5	11,491.9	10,929.5
General	1,864.6	1,646.3	1,832.7	1,263.6	1,202.8	1,242.1	1,338.1	1,144.9	1,198.3	1,354.0
Separate Account	13,175.5	11,338.4	12,584.7	12,381.1	12,819.9	10,099.5	7,847.4	5,484.6	3,998.9	2,554.8
Total liabilities	34,566.3	25,991.6	27,347.9	26,470.0	26,363.6	23,924.6	20,891.8	18,317.0	16,689.1	14,838.3
Stockholders' Equity										
Preferred share capital	—	—	—	—	—	121.8	121.8	121.8	121.8	121.8
Common equity before adjustment	1,758.8	1,513.9	1,394.0	1,393.7	1,251.4	1,137.0	1,011.3	897.4	812.5	733.8
SFAS 115 adjustment*	127.8	150.6	76.5	33.7	(84.9)	61.5	52.8	15.0	58.8	(78.4)
Total stockholders' equity	1,886.6	1,664.5	1,470.5	1,427.4	1,166.5	1,198.5	1,185.9	1,034.2	993.1	777.2
Total liabilities and equity	36,452.9	27,656.1	28,818.4	27,897.4	27,530.1	25,123.1	22,077.7	19,531.2	17,682.2	15,615.5

*To reflect the difference between amortized cost and market values (net of offsets) for those assets classified as available for sale.

Statement of Income

Dollars in Millions

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Revenues										
Premiums	2,252.8	1,120.1	1,203.6	1,332.6	1,163.2	994.9	833.24	829.5	1,067.4	1,000.1
Fee income	840.1	883.5	947.3	871.6	635.2	516.0	420.7	347.5	—	—
Net investment income	988.4	919.4	934.8	925.0	875.9	897.3	881.7	834.6	835.0	797.6
Net realized gains	39.6	41.6	46.8	28.3	1.1	38.2	9.8	(21.1)	7.5	(71.9)
Total revenues	4,120.9	2,964.6	3,132.5	3,157.5	2,675.4	2,446.4	2,145.4	1,990.5	1,909.9	1,695.8
Benefits and Expenses										
Policy benefits	575.1	944.0	1,031.7	1,127.8	984.0	774.5	547.7	515.8	559.5	548.3
Increase in reserves	1,501.5	71.3	58.4	53.6	33.6	125.0	245.8	229.2	98.8	64.8
Interest paid/credited	514.9	498.6	530.0	490.1	494.1	491.6	527.8	561.7	562.3	529.0
Policyholder dividends	92.1	78.9	76.5	74.4	70.2	71.4	63.8	49.2	48.2	42.1
Commissions and operating expenses	965.7	958.1	1,021.2	1,018.5	804.5	688.2	551.6	469.6	464.5	408.8
Total benefits and expenses	3,649.3	2,550.9	2,717.8	2,764.4	2,386.4	2,150.7	1,936.7	1,825.5	1,733.3	1,593.0
Net operating income before income taxes and special charges	471.6	413.7	414.7	393.1	289.0	295.7	208.7	165.0	176.6	102.8
Provision for income taxes	153.6	130.2	141.1	134.0	83.3	98.8	49.9	30.4	48.9	28.5
Net income before special charges	318.0	283.5	273.6	259.1	205.7	196.9	158.8	134.6	127.7	74.3
Special charges (net)	—	—	80.9	—	—	—	—	—	—	—
Net income	318.0	283.5	192.7	259.1	205.7	196.9	158.8	134.6	127.7	74.3



Total Company**Net Income**

\$318 million

Stockholders Equity

\$1.9 billion

Return on Common Equity

17.9 percent

Assets

\$36.5 billion

Employees

6,200

Financial Services**Assets Administered**

\$49.5 billion

FASCorp Recordkeeping Accounts

2.3 million

Individual Life Policies

254,500

COLI/BOLI Policies

52,500

Healthcare**Health & Life****Equivalent Premium**

\$6.1 billion

Medical Members

1.9 million

Health & Life**Employer Groups**

5,000

Approximate as of Dec. 31, 2003

Great-West serves millions of Americans through a full range of health care, life and disability insurance, annuities, and retirement savings plans and services.

Ratings

Great-West is rated by a number of nationally recognized rating agencies. The ratings represent the opinion of the rating agencies regarding the financial strength of Great-West and its ability to meet ongoing obligations to policyholders. In connection with the 2003 acquisition of Canada Life Financial Corporation by Great-West's parent company, Great-West Lifeco Inc., some rating agencies lowered their ratings of Great-West by one notch, a common response to such a transaction. Great-West's ratings remain comparable to or higher than those of its major competitors and reflect its strong financial position.

A.M. Best Company, Inc.

A+¹

Fitch, Inc.

AA+²

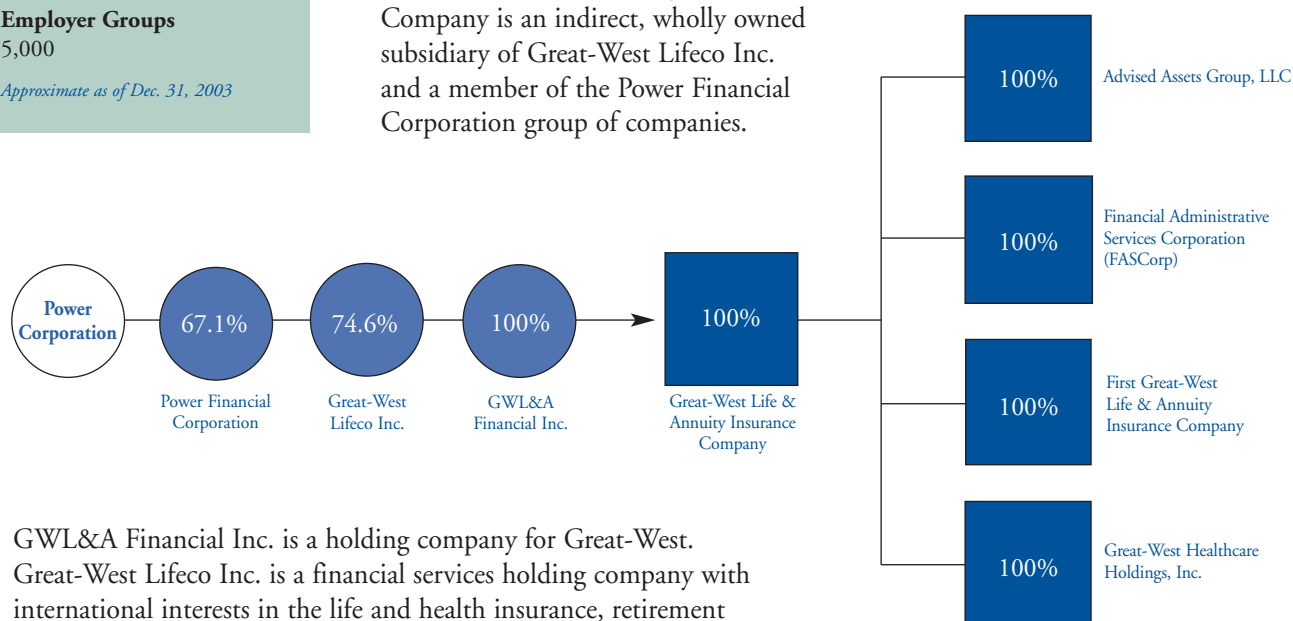
Moody's Investors Service

Aa3³

Standard & Poor's

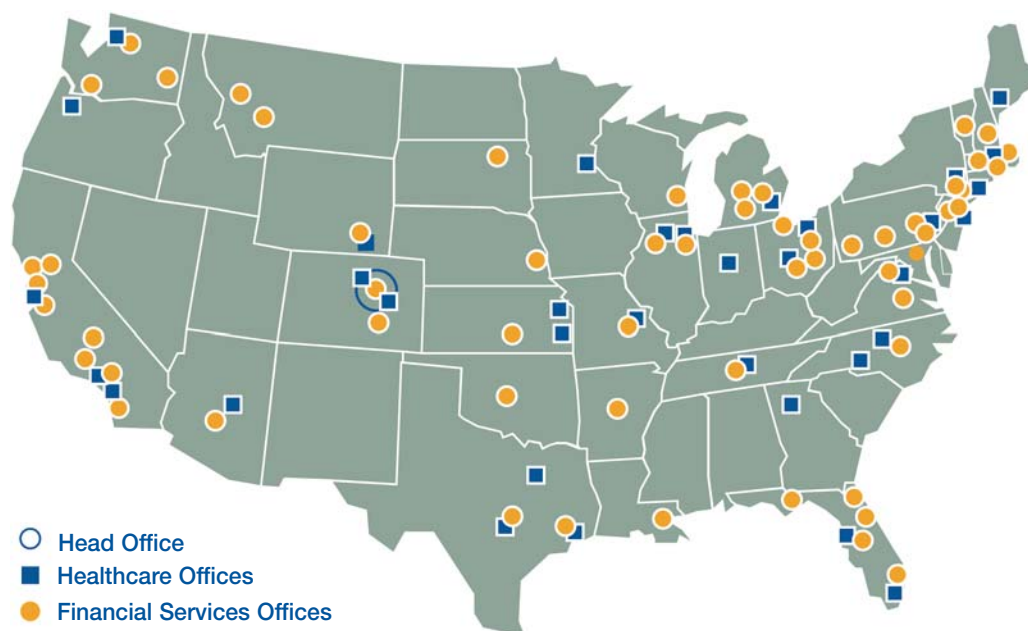
AA⁴¹ Superior (highest of 10 categories) – *Measured on financial strength, operating performance, and business profile*² Very Strong (second highest of eight categories) – *Measured on financial strength*³ Excellent (second highest of nine categories) – *Measured on financial strength*⁴ Very Strong (second highest of nine categories) – *Measured on financial strength***Organizational Chart**

Great-West Life & Annuity Insurance Company is an indirect, wholly owned subsidiary of Great-West Lifeco Inc. and a member of the Power Financial Corporation group of companies.



GWL&A Financial Inc. is a holding company for Great-West. Great-West Lifeco Inc. is a financial services holding company with international interests in the life and health insurance, retirement savings, and reinsurance businesses. Lifeco's subsidiaries make its family of companies the fifth largest by market value in the North American life insurance sector.

Office Locations



Products and Services

Financial Services

- Enrollment services, communication materials, investment options, and education services to employer-sponsored defined contribution plans
- Comprehensive administrative and recordkeeping services for financial institutions and employer-sponsored defined contribution plans
- Customized individual life insurance and annuity products
- Business Owned Life Insurance products

Healthcare

- Consumer-Driven Health (CDH) plans, Health Reimbursement Accounts (HRA), Preferred Provider Organizations (PPO), Point-of-Service (POS) plans, Health Maintenance Organizations (HMO), Open Access plans, and COBRA services
- Disease management, complementary alternative care, managed mental health, maternity and neonatal programs, and other health care management services to employer-sponsored health plans
- Group dental and vision plans, term and optional term life insurance, short-term and long-term disability insurance, and Section 125/129 plans (flexible benefits accounts)

- Nationwide physician, hospital, and preferred pharmacy networks

Investment Management

- Evaluates, purchases, and monitors investments for Great-West's general accounts, consisting of funds generated by the Financial Services and Healthcare lines of business
- Manages and invests assets in Great-West's separate accounts, consisting of funds generated by our Financial Services customers

Distribution Systems

Financial Services

- Defined contribution services are distributed by Great-West and its affiliates and a network of independent agencies
- FASCorp distributes its recordkeeping and administrative services directly to financial institutions
- Customized individual life insurance and annuity products are distributed through financial institutions such as banks and discount brokers
- Business Owned Life Insurance products are distributed through Clark Consulting and SunTrust

Healthcare

- 400 sales and service staff serve our customers through group sales offices across the United States

Great-West
Financial Services
Division



The Financial Services Division helps provide financial security for our customers through employer-sponsored defined contribution retirement plans, deferred compensation plans, and corporate 401(k) plans for a variety of markets.

We also provide annuities and life insurance policies for individuals, families and corporate executives.

Through FASCorp, we offer private-label recordkeeping and administrative services for other providers of defined contribution plans as well as the Great-West family of companies.

Financial Services marks a year of growth

Our Financial Services Division saw a year of milestones and sustained growth in 2003. After the acquisition of Canada Life Financial Corporation by our parent company, Great-West Lifeco Inc., a team effort led by Financial Services integrated Canada Life's U.S. customers into our operations.

Our Retirement Services unit reinforced its standing as a leading provider of retirement products and services to corporate 401(k) and institutional clients as well as government, healthcare and education customers. The unit brought Great-West recognition as "2003 Recordkeeper of the Year" from *Defined Contribution News*. In addition, *Plan Sponsor* magazine ranked Great-West as the nation's seventh largest recordkeeper based on participant count, including corporate, public/non-profit, and FASCorp institutional accounts.

We introduced the Great-West Retirement ServicesSM brand name to bring our entire suite of products and services for the retirement marketplace under one umbrella reflecting our corporate identity. Agreements reached during the year with Wells Fargo & Co. and Federated Insurance Companies are expected to add more than 1,600 new plans and 80,000 participants to our 401(k) business.

FASCorp continues to be a leading provider of recordkeeping and administrative services for the defined contribution and institutional markets. FASCorp capitalized on its flexibility and operating scale to secure a record number of new institutional client contracts in 2003.

Our Financial Institutions Markets unit surpassed 100,000 life insurance policies in force.

Initiatives undertaken by the Financial Services Division in 2003 position us well to achieve success in the year ahead.

RETIREMENT SERVICES

Great-West Retirement Services focuses on sustaining relationships, building new ones, and developing products to meet the evolving needs of the marketplace. For 2004, we are embarking on market research projects and pursuing selected partnerships to strengthen existing client relationships and secure new business.

New corporate 401(k) team develops relationships

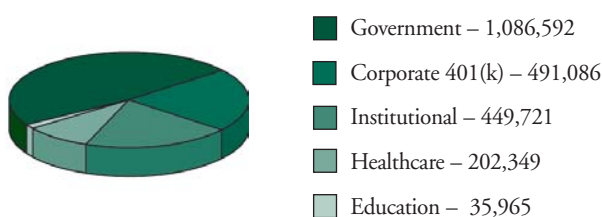
In 2003, we implemented a focused approach to providing 401(k) products and services to our brokers and

corporate customers. From a sales force that marketed a variety of benefits products, we successfully converted to a team dedicated to selling 401(k) plans through brokers, resulting in higher 401(k) sales productivity. We also converted our service structure in the field from a generalist approach to a specialized 401(k) Client Relationship Manager strategy. This transition garnered positive feedback from our brokers and customers, and we continue to monitor their satisfaction through surveys.

Our new customer service focus gave us a strong foundation on which to build our 401(k) business through acquisitions and partnerships. During the summer of 2003, Great-West acquired Federated Insurance Companies' group retirement business. The acquisition resulted in the addition of 649 plans to Great-West's block of 401(k) business. We completed the conversion of plan and participant accounts in a smooth transition that kept participants invested in the market throughout.

Nearly 87 percent of Federated's group retirement plan customers elected to contract with Great-West rather than move their business to another provider. This client retention rate, an exceptional result in such a transaction, was achieved because of Federated's strong client relationships and support for the transition to Great-West – a testament to our capabilities for serving clients' retirement plan needs.

Retirement Services Pension Plan Participants by Market



Total FASCorp Administration & Recordkeeping – 2,265,713

In the fourth quarter, Great-West announced a strategic relationship with Wells Fargo & Co. As part of the agreement, we acquired EMJAY Corporation, a subsidiary of Wells Fargo specializing in 401(k) administration and service. The transition of approximately 1,000 plans is scheduled for the second and third quarters of 2004 and will be accompanied by the introduction of a new small plan 401(k) product.

We are also proud to inherit EMJAY's position as editor of the *401(k) Answer Book*. As an institutional customer, Wells Fargo will use FASCorp's private-label and co-branded recordkeeping services for 401(k) plans.

With our focused approach to providing services and the development of new products resulting from our partnerships, we are confident that 2004 will bring strong growth for our 401(k) unit.

Government Markets group continues dominance

Cementing our dominant position as a provider of defined contribution services to state governments, we added the Commonwealth of Pennsylvania as our 14th state customer. With four of America's five largest cities – New York, Los Angeles, Houston, and Philadelphia – among our clients, we are also one of the top recordkeepers for cities, counties, and political subdivisions with 1,300 plans in this market. Major new clients for 2003 also included the New York Metropolitan Transit Authority, the West Virginia Teachers' Defined Contribution Plan and Indiana Public Employees' Retirement Fund for elected officials.

To solidify existing relationships and form new alliances in government markets, we rolled out a stakeholder relations plan designed to coordinate regional and case-specific strategies. This approach integrates traditional public and media relations, community involvement and, when needed, additional local and national efforts to retain and expand business.

Healthcare Markets approach wins renewals

As a result of our open architecture approach allowing plan sponsors to take charge of the design and objectives of their plans, we experienced outstanding success in renewing our healthcare retirement markets client base. Of the 23 plans eligible for renewal in 2003, we renewed 100 percent of the contracts for a term of no less than three years. In addition, we successfully completed the transition of Via Christi Health System plans. A major healthcare provider in the Midwest, Via Christi boasts 15,000 participant accounts in 403(b), 401(k) and cash balance plans.

Our Partnership Plus approach continues to attract attention in healthcare markets, as Great-West remains one of the few providers entering into full disclosure, profit and loss relationships with plans.

Advised Assets Group attracts state clients

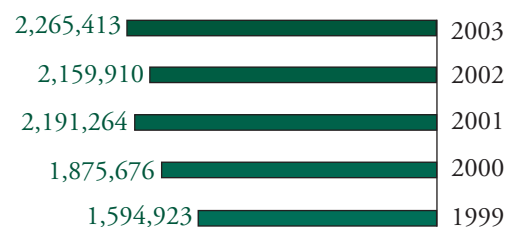
Great-West's registered investment advisor subsidiary, Advised Assets Group, LLC (AAG), experienced

continued growth in 2003. AAG offers investment advice in partnership with Financial Engines Advisors LLC to qualified retirement plan participants. AAG also provides investment performance reports to plan sponsors. New AAG clients in 2003 included the State of Louisiana and Commonwealth of Pennsylvania, representing 88,000 participants collectively. Both entities enhanced the features and services of their plans by offering online investment advice for participants.

FASCorp expands client, participant base

A leading provider of recordkeeping and administrative services for the defined contribution and institutional markets, FASCorp capitalized on its flexibility and operating scale to secure a record number of new institutional client contracts in 2003. Expansion in plan and participant numbers of existing partners also helped increase our recordkeeping participant count to nearly 2.3 million, while a resurgence of the stock market contributed to growth in assets administered.

FASCorp Participant Accounts



With our new strategy to market FASCorp's recordkeeping services in conjunction with Great-West Retirement Services, we offer an expanded package of services to current institutional customers as well as to prospective clients. Our fully bundled product includes mutual funds, annuity products, relationship management, compliance services, investment advice in conjunction with AAG, and marketing, educational, and enrollment services to complement our state-of-the-art recordkeeping services.

Our focus in 2004 will be on providing strategic guidance to our institutional partners so they can profitably grow their retirement business and add new plans and participants to these platforms. Industry merger and acquisition activity in the coming year is likely to redraw the retirement services landscape. Our growing relationships with American Funds and Wells

Fargo demonstrate FASCorp's success in partnering with leading 401(k) firms that are well positioned in this new competitive environment.

FASCorp's ability to provide true private-label recordkeeping for large financial institutions, as well as co-branded and private-label services for defined contribution plans, gives us a distinct advantage over competitors. As many investment providers explore the outsourcing of recordkeeping functions, we are in a unique position to capitalize on market opportunities.

INDIVIDUAL MARKETS

Lifeco's acquisition of Canada Life and its Canadian, U.S. and European subsidiaries added considerably to our traditional individual life insurance and annuity customer base in the United States.

The Individual Markets team also achieved significant growth within financial institutions markets in 2003 while maintaining market share in Business Owned Life Insurance during an extended period of low interest rates. This same customer service focus contributed to the continued success of our traditional Education Markets retirement business and helped us attract a number of new education plans with our value-based Educator\$MoneySM retirement plan offering.

Individual life insurance sales increase

By broadening our current partnerships and adding to our array of partners, the Financial Institutions Markets unit significantly increased sales of individual term life insurance policies through financial institutions.

Our strategic partnerships combined with advanced technology enabled us to develop an innovative online sales system. This enhancement allows representatives at partner financial institutions to electronically underwrite customers at their desks for our new Essential TermSM life insurance product, complete all forms online, and print them at their offices. To serve our partners' more affluent customer segments, we broadened the offering of our fully underwritten term Internet products.

In the coming year, growth opportunities for Financial Institutions Markets will focus on implementing new product and technology offerings with existing partners and forging alliances with additional financial institutions.

Business Owned Life Insurance market stable

The Business Owned Life Insurance unit continued its core distribution partnership with Clark Consulting,

with a focus on the general corporate and financial institution benefit plan market. We entered the small case non-qualified deferred compensation market and expanded our business into California. Assets remained stable amid a challenging economic setting and an uncertain legislative environment surrounding these products. In 2004, we will look to more certainty on the legislative front for an increase in assets.

Education Markets unit focuses on value

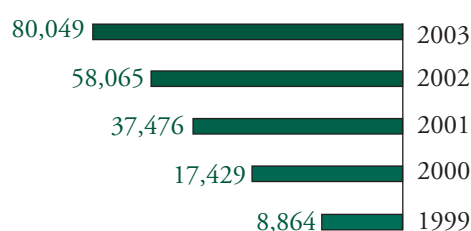
Whether by providing service and support for our traditional variable annuity retirement products marketed through key distributor relationships, or through our innovative mutual fund model, Great-West's Education Markets unit continues to focus on value-based retirement solutions for our nation's educators. Our success in adding new plans reinforces our belief in the demand for a low-cost mutual fund retirement savings program. Our emphasis in the coming year will be to provide exceptional service to our key distributors and large traditional customer base, while increasing our education and communication campaign efforts designed to improve the rate at which educators take control of their retirement savings needs.

Canada Life integration enhances earnings power

The acquisition of Canada Life's U.S. operations added a significant number of individual life and annuity customers. Our transition team led the successful transfer and integration of many of Canada Life's U.S. functions to our headquarters in metro Denver, while we continued to provide the same strong service our customers and agents have come to expect from Great-West. Through economies of scale, this larger business base forms a foundation for enhanced earnings.

New Individual Life Policies Financial Institutions Markets

Yearly sales including all distribution networks



Great-West
Healthcare
Division



Great-West Healthcare is a national employee benefits provider with expertise in self-funding and creative health care management solutions. Our product line includes traditional group health plans as well as consumer-driven plans that are supported by our nationally recognized disease management program. Other services include COBRA, HIPAA and flexible spending account administration; dental and vision plans; life insurance benefits, and short-term and long-term disability coverage.

Healthcare Division meets challenges

A year of complex challenges brought exciting changes and significant milestones as the Healthcare Division worked to define and build a strong foundation for success. While pricing actions, a reduced employee base for existing group customers and a struggling economy resulted in a membership decline, we put into place specific strategies to promote membership growth in 2004.

As part of a revitalized business strategy, we refined our focus on profitable growth within our target markets and realigned the sales force to support the differing expectations of those segments. This meant building upon strengths in select accounts (50-250 employees), increasing focus on mid-market business (250-2,500 employees), and enhancing capabilities for future growth in national accounts (2,500+ employees).

Another important step in building a strong foundation was to better define the division internally and to target audiences. We accomplished this by consolidating our multiple business entities into a single, consistent identity – Great-West HealthcareSM. More than a name change, the new brand incorporates longstanding ideals of trust and creativity into one voice and one look. The Great-West Healthcare brand was launched with event sponsorships and a national advertising campaign directed to brokers, consultants and health care decision makers.

New products address rising costs

Another major initiative was to expand aggressive product development efforts to confront rising health care costs. Foremost on this front was the Great-West Healthcare Consumer AdvantageSM plan, designed to save employers up to 15 percent on medical premiums compared with a traditional PPO plan design.

This industry-first, consumer-driven tiered benefit plan covers preventive care at 100 percent and provides high-level coverage for medically complex or catastrophic services. To give members the information and options to make financially and medically sound treatment choices, Great-West Healthcare provides a 24-hour nurse hotline and a wealth of online tools including an interactive wellness system, a prescription drug comparison tool, and the CareCompareSM database for researching hospital performance.

Continuing our focus on the consumer, our Health Reimbursement Account (HRA) allows employers to shift from a defined benefits concept to a defined contribution philosophy that engages members in making cost-effective health care decisions. Through this plan,

employers contribute money for each employee to spend on health care expenses. Funds remaining at the end of the year can be rolled over for future use. Another first in the market, Great-West Healthcare's concurrent payment HRA shares expenses equally between the member and the employer-sponsored HRA from the first dollar of coverage.

Medical management delivers savings

Nationally recognized medical management programs complement each plan the company offers – HMO, Open Access, POS or PPO. The Medical OutreachSM program features care management, disease management, and online health management tools to help businesses realize a significant reduction in expected health care costs.

Our disease management program serves enrolled members with asthma, diabetes, cardiac and other conditions. This program has led to an increase in appropriate physician office visits and pharmacy use while decreasing hospital stays among program participants, resulting in average medical savings over \$2,000 per year for enrolled members with diabetes and cardiac conditions.

In 2003 we strengthened our disease management programs with the addition of oncology and neonatology programs, earning industry honors for our suite of programs as the Best Disease Management Program for a National PPO. Presented by the Disease Management Association of America, the award acknowledged our continued results and commitment to treating members with chronic diseases, as well as innovative programs introduced during the year. We will further sharpen our disease management focus in 2004 with the introduction of pain management, depression management, and other targeted programs.

We also completed a number of compliance initiatives, including privacy and electronic transaction requirements associated with the administrative simplification provisions of the federal Health Insurance Portability and Accountability Act (HIPAA).

While building a strong foundation was the guiding force in 2003, we also recognized the need to manage expenses. Our division consolidated regional functions into corporate headquarters to reflect increased operating efficiencies, and implemented targeted reductions to better align our workforce with current membership.

Looking to 2004, we believe our emphasis on new product design and ongoing process improvements will give us the edge in helping customers meet the benefit challenges of tomorrow.

Great-West
Investment Management
Division



The Investment Management Division identifies, evaluates, purchases, and monitors investments for Great-West's general account, which consists of funds generated by the Financial Services and Healthcare lines of business. The division is also responsible for the separate accounts that Great-West manages and invests on behalf of our customers.

Investment Management Division stays the course

In a year of recovery for the U.S. economy, our Investment Management Division weathered turbulent markets through a combination of conservative investment strategy and identification of new investment opportunities. Despite the economic uncertainty, 2003 was a year of growth and opportunity for Investment Management.

Due to the acquisition of Canada Life Financial Corporation by our parent company, Great-West Lifeco Inc., we ended the year with our highest-ever assets under management. Through this transaction, the Investment Management Division began managing the U.S. assets of Canada Life.

Canada Life integration boosts portfolio

The integration of Canada Life's U.S. business along with internal growth added more than \$5.1 billion in total invested assets to our general account and \$1.8 billion in separate account assets. Of the general account assets, approximately \$338 million are in equity investments, \$2.7 billion are in bonds and \$1.4 billion are in mortgages. The additional general account assets represent increases of approximately 374 percent in equity investments, 27 percent in bonds, and 352 percent in mortgages.

Invested assets in our general account totaled \$19.7 billion as of December 31, 2003. Investment income earned on our general account investments for 2003 was \$988.4 million. The general account consists of assets invested against the company's traditional insurance and savings liabilities. Our general account portfolio is managed in-house and consists primarily of high-quality fixed-income investments.

Our separate account assets, invested and managed in-house and/or by select third-party vendors, totaled \$13.2 billion at the end of 2003.

Through our Orchard Series Fund and Maxim Series Fund, Inc. products, we offer retirement plan sponsors and their participants an array of fixed-income and equity investment mutual funds designed to meet a range of objectives and risk tolerances.

We increased our Investment Management staff during the year to manage and administer the additional assets resulting from the Canada Life integration. Although we had reduced our investment in commercial mortgages during the 1990s, we were able to draw on our previous experience and rebuild teams to manage a commercial mortgage portfolio that now totals \$1.9 billion.

We continue to maintain a very high-quality investment portfolio, with over 97 percent of our general account bonds rated at or above investment grade. An October 2003 analysis by Moody's Investors Service ranked the Great-West group (Great-West Life & Annuity Insurance Company and its subsidiary, First Great-West Life & Annuity Insurance Company) third best among 70 U.S. life insurer groups in two-year average gross credit gains/losses as a percent of invested assets.

Analysis pinpoints new opportunities

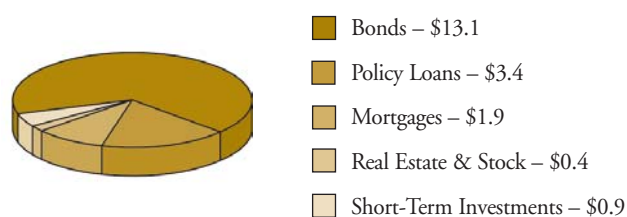
Although the economy manifested positive signs in the latter part of 2003, we faced challenging prospects earlier in the year. In particular, U.S. Treasury yields fell to historic lows. This climate complicated our task of targeting assets that would provide attractive returns for our customers.

In keeping with our commitment to seek appropriate, quality investments, we were able to identify new investment opportunities that brought attractive returns while maintaining the quality of our portfolio. As an example, we began investing in affordable-housing investments, which provide attractive returns given their risk characteristics.

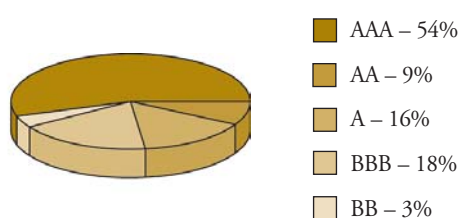
We take pride in the strength of our portfolio and our unwavering adherence to sound, disciplined investment principles. In 2004, we will continue to rely on the strength of our investment analysis process and our commitment to the fundamental principles of quality, liquidity, and diversification to deliver value to our customers regardless of market conditions.

Invested Assets

Dollars in Billions



Portfolio Quality



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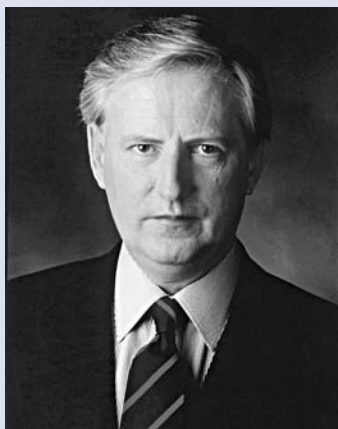
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Chairman of the Boards of
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